

Message Text

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53

ACTION EUR-12

INFO OCT-01 AF-08 IO-13 ISO-00 SSO-00 NSCE-00 USIE-00

INRE-00 SP-02 AID-05 EB-07 NSC-05 CIEP-02 TRSE-00

SS-15 STR-04 OMB-01 CEA-01 L-03 H-02 PRS-01 CIAE-00

COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04

SIL-01 EURE-00 /105 W

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FM AMEMBASSY BERN

TO SECSTATE WASHDC IMMEDIATE 3066

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY PRETORIA

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USMISSION GENEVA

USDEL MTN GENEVA

AMCONSUL ZURICH

UNCLAS BERN 3745

PASS TREASURY AND FRB

EO 11652: N/A

TAGS: EFIN ECOM SZ

SUBJ: SWISS PRESS ON GOLD PRICE

1. SUMMARY: SWISS PRESS REACTION TO SECOND SHARP DROP
IN GOLD PRICE SINCE JULY IMF AUCTION REFLECTS VIEW THAT
GOLD PRICE FALL IS DIRECT RESULT US POLICIES. FORMER
PRESS OPTIMISM ABOUT RELATIVE GOLD PRICE STABILITY OF PAST
FEW WEEKS HAS GIVEN WAY TO APPREHENSION THAT CONTINUED
FALL IN PRICE COULD UNDERMINE STRENGTH AND STABILITY WESTERN
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INDUSTRIALIZED COUNTRIES. PRESS ARTICLES CONTEND THAT

US WOULD THEN FACE AN URGENT FOREIGN POLICY ISSUE RATHER THAN ONE RELATED ONLY TO MONETARY POLICY. END SUMMARY.

2. AGENCE ECONOMIQUE ET FINANCIERE (AGEFI) FRONT PAGE EDITORIAL STATED THAT GOLD PRICE UNDER ATTACK BY US AND FREG, TWO ECONOMIC GIANTS WHICH DESPITE THEIR OPEN HOSTILITY TO GOLD HAVE STRONGEST CURRENCIES. EDITORIAL GOES ON TO SAY THAT US POLICY AIMS AT MORE THAN PREVENTING SOVIETS FROM BUILDING UP LARGE FOREIGN EXCHANGE RESERVES THROUGH GOLD SALES AT APPRECIATED PRICES. AGEFI NOTED WORLD GOLD PRODUCTION DIMINISHED (FROM 1,267.5 TONS PRODUCED 1970 TO 927.8 TONS PRODUCED 1975). WHILE WORLD ECONOMY REQUIRES LARGER SUPPLY HARD CURRENCIES TO FINANCE ECONOMIC EXPANSION AND DEVELOPMENT. THEREFORE, GOLD SUPPLY NO LONGER ABLE PLAY CENTRAL MONETARY ROLE; INTERNATIONAL MONETARY SYSTEM MUST BE BASED ON CONFIDENCE DETERMINED BY ECONOMIC OUTPUT AND TRADE PERFORMANCE.

3. JOURNAL DE GENEVE AND AGEFI OPINED IMF ACTING AT US INSTIGATION TO SELL ITS GOLD, THEREBY DRIVING PRICE DOWN, ON PRETEXT USING GAINS TO PRVIDE ASSISTANCE TO LDC'S. BOTH PAPERS POINTED TO RELATIVELY MODEST ASSISTANCE LDC'S COULD HOPE OBTAIN FROM IMF SALES AND CONCLUDED THIS ASPECT SALE UNIMPORTANT. JOURNAL NOTED THAT VALUE OF SOFT LOANS LDC'S COULD EXPECT RECEIVE FROM DC'S FAR EXCEEDED IMPORTANCE TO THEM OF IMF GOLD SALES.

4. RE IMF SEPTEMBER 15 GOLD SALE, JOURNAL SAID THAT IMF WOULD WITHHOLD SOME OF TOTAL 780,000 OUNCES OFFERED IF PRICES BID WERE RIDICULOUSLY LOW. NEUE ZURCHER ZEITUNG QUOTED FRANKFURTER ALLGEMEINE ZEITUNG REPORT THAT ZURICH GOLDPOL BANKS EXPECT GENERAL ABSENTION FROM BUYING AT NEXT IMF SALE. NZZ ALSO REPORTED CITICORP ANALYSIS FORECASTING POSSIBLE DROP IN GOLD TO DOLLARS 60 PER OUNCE OVER NEXT 12 MONTHS.

5. PAPERS AGREED THAT OUTLOOK BLURRED AND UNCERTAIN BECAUSE SALES PRIMARILY FROM PRIVATE HOLDERS AND TURNOVER NORMAL ON ZURICH MARKET. AGEFI NOTED THAT UNCLASSIFIED

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THERE ARE THOSE WHO WILL CONTINUE TO HOLD GOLD AS GUARD AGAINST FUTURE CATASTROPHIES, WHICH ONLY DETRACTS FROM GOLD'S VALUE AS NUMERAIRE. JOURNAL ASKED WHAT WOULD HAPPEN IF PRONOUNCED GOLD PRICE FALL TRIGGERED ECONOMIC CRISES, E.G., IN SOUTH AFRICA, FRANCE AND ITALY, AND QUESTIONED WHETHER US CONCERNED ABOUT SUCH CONTINGENCY. JOURNAL ANSWERED ITS OWN QUESTIONS BY NOTING HOPEFULLY THAT SOONER OR LATER US WILL REALIZE WHOSE OX IS BEING

GORED, AT WHICH TIME DIMINISHED POWER OF WESTERN COUNTRIES
WILL CEASE CONSTITUTE PURELY MONETARY ISSUE AND BECOME
URGENT MATTER OF FOREIGN POLICY. JOURNAL CONTINUED THAT
US IS BASICALLY PRAGMATIC AND WOULD NOT HESITATE CHANGE
ITS POLICY WHEN ITS INTERESTS SO DICTATED, ADDING THAT
CHANGE OF ADMINISTRATION COULD FACILITATE THIS CHANGE.
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